

Bureau of Customs and Border Protection

Proposed Rulemakings

19 CFR Parts 12 and 24

RIN 1515-AC93

PATENT SURVEYS

AGENCY: Customs Service, Department of the Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document proposes to amend the Customs Regulations to eliminate patent surveys. After careful review, Customs questions the worthiness of continuing the patent survey program given lack of demand for the program, stemming in part from the program's apparent lack of effectiveness within the current statutory scheme, and other changed circumstances.

DATES: Written comments must be received on or before May 19, 2003.

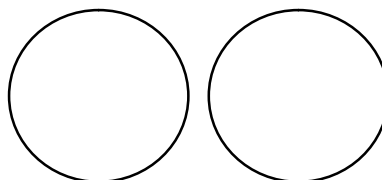
ADDRESSES: Written comments may be submitted to the U.S. Customs Service, Office of Regulations and Rulings, Attention: Regulations Branch, 1300 Pennsylvania Ave., N.W., Washington, D.C. 20229. Submitted comments may be inspected at the U.S. Customs Service, 799 9th Street, Washington, D.C., during regular business hours. Arrangements to inspect comments should be made in advance by calling Mr. Joseph Clark at (202) 572-8768.

FOR FURTHER INFORMATION CONTACT: George McCray, Branch Chief, Intellectual Property Rights Branch (202) 927-2330.

SUPPLEMENTARY INFORMATION:

BACKGROUND

Under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337; hereafter, section 1337), concerning unfair practices in import trade, it is unlawful to, among other things, import merchandise into the United States that infringes a valid and enforceable United States patent. Under the statute, the International Trade Commission (the Commission), after



conducting a proper investigation, is authorized to exclude patent-infringing merchandise from entry into the United States. (19 U.S.C. 1337(a)(1)(B)(i) and 19 U.S.C. 1337(d).) The statute also authorizes the Commission, under certain circumstances, to issue cease and desist orders, impose civil penalties, and order seizure and forfeiture relative to unlawful acts under the statute.

Customs plays a supporting role with respect to patent infringement cases under section 1337. For example, where the Commission has determined that merchandise infringes a patent and has ordered that the patent-infringing merchandise be excluded from entry, Customs will refuse entry of the merchandise covered by the order after notification by the Commission (see 19 CFR 12.39). In addition to enforcing Commission exclusion orders, Customs enforces Commission seizure/forfeiture orders (19 U.S.C. 1337(i)(2)) and certain court orders.

Patent Surveys

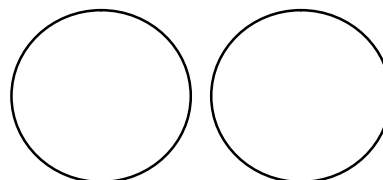
In 1956, while under no statutory mandate to do so, Customs promulgated a regulation designed to assist patent holders in obtaining information they would need to seek action by the Commission under section 1337. In Treasury Decision (T.D.) 54087, published in the Federal Register (21 FR 3267) on May 18, 1956, Customs amended § 24.12(a) of the Customs Regulations by adding paragraph (3), under which Customs would issue the names and addresses of importers of articles appearing to infringe a registered patent. The T.D. explained that the purpose of the new provision was to assist the owner of a registered patent in obtaining data upon which to file a complaint under section 1337 charging unfair methods of competition and unfair acts in the importation of merchandise infringing the patent. The provision required an application by the patent owner and set forth appropriate fees.

In T.D. 56137, published in the Federal Register (29 FR 4909) on April 8, 1964, Customs amended Part 12 of the regulations to add new section 12.39a to prescribe the procedure and requirements for obtaining the names and addresses of importers of merchandise appearing to infringe a patent (thereby transferring authority for the procedure from § 24.12(a)(3)). The new section referred to the procedure as a patent survey and provided patent survey requestors three survey period options varying in length of time: 2, 4, and 6 months. The fees for patent surveys remained under § 24.12(a)(3).

Changed Circumstances

Over the years, Customs has continued to perform patent surveys under § 12.39a, but changed circumstances call into question the effectiveness of the patent survey process and the ability of Customs to continue to provide the manpower and resources required. Customs, therefore, has had to reconsider the viability of the program.

In 1956, when the above mentioned program was introduced, Customs processed just over a million entries. Because the volume of imports has exploded since 1956, Customs now receives over 23 million entries per year (based on 2001 statistics). At the same time, as a result



of subsequent changes in Customs law and practice, the old system in which Customs officers were responsible for completing the processing of each entry has been replaced with what, in practice, is a self-assessment system based on electronic reporting without paper invoices.

Effectiveness of the Patent Survey Program

The patent survey seeks to identify importers who may be importing merchandise that appears to infringe a patent. After initial approval of a survey request (application), Customs determines which tariff provisions may apply to particular patented merchandise, a task complicated by the fact that patented articles are often new or novel commodities. Often, these identified tariff provisions are broad or basket provisions, with the broad provisions covering several similar articles and the basket provisions covering a wide breadth of articles that do not fit under more specific subheadings. Thus, searching for merchandise that appears to infringe the patent often produces overbroad results. These overbroad results lead to identifying importers who in fact do not import merchandise appearing to infringe the patent at issue. These searches are of questionable value to the patent owner and do not produce results that justify the required use of Customs resources.

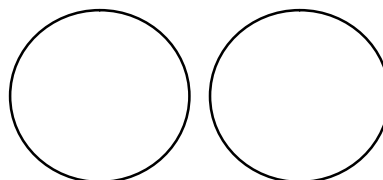
Further evidence of the limited value of the patent survey program is demonstrated by the fact that Customs processes relatively few patent survey requests (although not a data element routinely tracked, research indicates about 10 requests processed per year). While the survey requests received present the problems discussed in this document (time-consuming process, overbroad results, questionable value of results, competing mission priorities), their few number call into question the value of the program. A greater number of survey requests would suggest a greater need among the importing public and a more legitimate basis for Customs investment of time and effort. The apparent lack of need is another reason to discontinue the program.

Unappealing Options

Customs recognizes that today it faces a situation with unappealing options. Recognizing the ineffectiveness of the program and the lack of demand suggests discontinuing the program. Making the program more effective, in the hope of generating new demand, would require the commitment of scarce resources. Moreover, Customs would have to increase the cost of patent surveys dramatically to cover the expense of a stepped up program. Customs believes that intensifying the program is not possible operationally or economically.

The Statute—19 U.S.C. 1337

Finally, Customs notes that section 1337 does not mandate that Customs perform patent surveys. An examination of the general scheme of section 1337 shows that the statute places primary authority in the Commission, rather than Customs, to enforce its provisions. The Commission is charged with the responsibility to conduct investigations and make determinations regarding violations and sanctions under the sta-



tute. Customs is not authorized to take any action regarding apparently patent-infringing merchandise without the Commission first taking action or without receiving a notice, request, or instruction from the Commission, a clearly secondary role.

Thus, the promulgation of Customs patent survey regulation (first in § 24.12(a)(3) and then in § 12.39a), though intended to support section 1337, is not rooted in explicit statutory authority. Rather, the regulatory program was initiated in the exercise of agency discretion under the general authority of 19 U.S.C. 66 and 1624.

CONCLUSION

Based on all the foregoing that calls into question the continued viability of the Customs patent survey program under § 12.39a, for reasons relating to effectiveness of the program, burden on Customs manpower and systems, the impracticality of intensifying the program, and ambiguous statutory authority, Customs is considering discontinuing the program. Thus, this document proposes removing § 12.39a from the Customs Regulations and making conforming changes to § 24.12(a) by removing paragraph (3).

COMMENTS

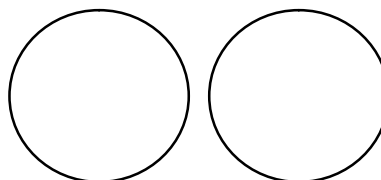
Before adopting as final the proposed removal of § 12.39a, consideration will be given to any written comments timely submitted to Customs. Customs requests that commenters opposed to removal of the regulation include in their comments suggestions to maintain the patent survey program that address Customs concerns regarding the program's effectiveness. Comments submitted will be available for public inspection in accordance with the Freedom of Information Act (5 U.S.C. 552), § 1.4 of the Treasury Department Regulations (31 CFR 1.4), and § 103.11(b) of the Customs Regulations (19 CFR 103.11(b)) on regular business days between the hours of 9 a.m. and 4:30 p.m. at the U.S. Customs Service, 799 9th Street, N.W., Washington, D.C. Arrangements to inspect submitted comments should be made in advance by calling Mr. Joseph Clark at (202) 572-8768.

EXECUTIVE ORDER 12866

This document does not meet the criteria for a "significant regulatory action" as specified in E.O. 12866.

REGULATORY FLEXIBILITY ACT

Pursuant to the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), it is certified that, if adopted, the amendments to the Customs Regulations set forth in this document will not have a significant economic impact on a substantial number of small entities. The regulation would merely discontinue the patent survey procedure. Accordingly, these amendments are not subject to the regulatory analysis or other requirements of 5 U.S.C. 603 and 604.



DRAFTING INFORMATION

The principal author of this document was Bill Conrad, Office of Regulations and Rulings, U.S. Customs Service. However, personnel from other offices contributed in its development.

LIST OF SUBJECTS

19 CFR Part 12

Entry of merchandise, Customs duties and inspection, Fees assessment, Imports, Patents, Reporting and recordkeeping requirements.

19 CFR Part 24

Accounting, Customs duties and inspection, Fees, Imports, Reporting and recordkeeping requirements.

PROPOSED AMENDMENTS TO THE REGULATIONS

For the reasons stated in the preamble, Parts 12 and 24 of the Customs Regulations (19 CFR Parts 12 and 24) are proposed to be amended as follows:

PART 12—SPECIAL CLASSES OF MERCHANDISE

1. The general authority citation for Part 12 continues to read as follows:

Authority: 5 U.S.C. 301; 19 U.S.C. 66; 1202 (General Note 23, Harmonized Tariff Schedule of the United States), 1624.

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2. It is proposed to amend Part 12 by removing § 12.39a.

PART 24—CUSTOMS FINANCIAL AND
ACCOUNTING PROCEDURE

1. The general authority citation for Part 24 continues to read as follows:

Authority: 5 U.S.C. 301; 19 U.S.C. 58a–58c, 66, 1202 (General Note 23, Harmonized Tariff Schedule of the United States), 1505, 1624; 26 U.S.C. 4461, 4462; 31 U.S.C. 9701.

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Section 24.12 also issued under 19 U.S.C. 1524, 46 U.S.C. 31302;

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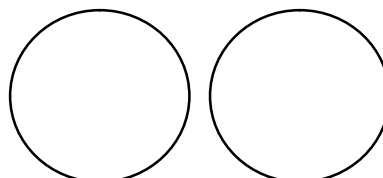
2. It is proposed to amend § 24.12 by removing paragraph (a)(3).

ROBERT C. BONNER,
Commissioner of Customs.

Approved: February 28, 2003.

TIMOTHY E. SKUD,
Assistant Secretary of the Treasury.

[Published in the Federal Register, March 20, 2003 (68 FR 13636)]



19 CFR Part 113

RIN 1515-AC44

IMPORTATION AND ENTRY BOND CONDITIONS REGARDING
OTHER AGENCY DOCUMENTATION REQUIREMENTS

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: Notice of withdrawal of proposed rulemaking.

SUMMARY: This document informs the public that Customs has decided to withdraw a proposal to amend the Customs Regulations regarding the bond condition on the basic entry and importation bond requiring the principal to furnish Customs with any document or evidence required to be submitted to Customs by law or regulation. The proposal would have expanded this bond condition to require the principal to furnish to other Government agencies any document or evidence required in connection with the importation/entry process required to be submitted to those agencies under the laws or regulations of those agencies.

DATE: As of March 20, 2003, the proposed rule published on August 6, 1999 (64 FR 42872) is withdrawn.

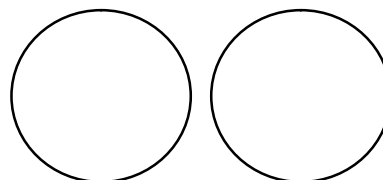
FOR FURTHER INFORMATION CONTACT: Jeremy Baskin, Penalties Branch, Office of Regulations and Rulings, (202) 572-8750.

SUPPLEMENTARY INFORMATION:

BACKGROUND

On August 6, 1999, Customs published a document in the Federal Register (64 FR 42872) proposing to amend the Customs Regulations pertaining to the basic importation and entry bond condition under which, if merchandise is conditionally released to the principal named in the bond, the principal agrees to furnish Customs with any document or evidence as required by law or regulation. The proposed amendment would have extended this requirement, and consequently the potential liability for payment of liquidated damages for a breach of the bond condition, to documents and evidence required to be submitted to other Government agencies under laws and regulations of those other agencies.

The impetus for the proposal was that another agency asked Customs whether the Customs bond could be used to provide a consequence for the failure to provide a specific document to that agency when that agency required the document upon the importation of certain articles. Rather than issuing a narrow proposed rule governing the presentation of the specific document, Customs proposed to amend the provisions of the basic importation and entry bond to allow for the assessment of liquidated damages if there is a failure to provide any document to other



Government agencies in the time period prescribed under the laws and regulations of those other agencies.

Comments on the proposed amendment to the Customs Regulations were solicited.

Customs received six comments on the proposed amendment to the regulation. All of the comments were strongly opposed to the implementation of the proposed amendment. They stated that the proposed amendment was far too broad and that it allowed for liquidated damages for unidentified violations of unknown laws administered by unknown agencies.

Customs has carefully considered the comments received, further reviewed the matter, and agrees with the commenters. Accordingly, Customs is withdrawing the proposal it published on August 6, 1999.

ROBERT C. BONNER,
Commissioner of Customs.

Approved: February 25, 2003.

TIMOTHY E. SKUD,
Assistant Secretary of the Treasury.

[Published in the Federal Register, March 20, 2003 (68 FR 13638)]

